

Message Text

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ACTION EUR-12

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E.O. 11652: N/A

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SUBJECT: SIMONET ANTI-CRISIS PLAN FOR EC STEEL INDUSTRY

REF: 76 EC BRUSSELS 12551

1. ACCORDING TO EC STEEL OFFICIALS THE SIMONET PLAN FOR THE
STEEL INDUSTRY WHICH WAS PUT INTO OPERATION ON JANUARY 1 HAS
HAD A GOOD RECEPTION FROM THE INDUSTRY.

2. HANS KUTSCHER, WHO HAS PRIMARY RESPONSIBILITY FOR THE
MECHANICS OF THE PLAN, TOLD THE MISSION THAT ALL OF THE LARGE
AND MEDIUM-SIZED INSTITUTIONS CONCERNED HAVE ALREADY EXPRESSED
FORMAL ACCEPTANCE OF THEIR ASSIGNED PRODUCTION TARGETS.
KUTSCHER SAID THAT WITH ONE EXCEPTION ALL THOSE FIRMS WITH
WHICH HE HAD SPOKEN, BUT WHICH HAVE NOT YET RETURNED SIGNED
STATEMENTS ACCEPTING THE PRODUCTION LEVELS, SEEMED TO
WELCOME THE PROGRAM. THE SOLE EXPCETION WAS THE SMALL
INDUSTRY IN BRESCIA IN NORTHERN ITALY. KUTSCHER SAID
THAT ONE REASON FOR THE WIDE ACCEPTANCE OF THE PLAN
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WAS THE FLEXIBILITY WHICH THE COMMISSION HAD BUILT INTO
IT. FOR EXAMPLE, HE SAID, THE COMMISSION HAS ALREADY
RENEGOTIATED PRODUCTION TARGETS FOR SEVERAL ENTERPRISES
WHILE MAINTAINING THE GLOBAL PRODUCTION TARGETS FOR EACH
PRODUCT. IN ADDITION, THE PLAN ALLOWS PARTICIPANTS,
IF A CLEAR CASE OF NEED EXISTS, TO ASK THE COMMISSION
FOR A READJUSTMENT OF ALLOCATIONS DURING THE COURSE OF

THE PLAN'S OPERATION. KUTSCHER SAID HE WOULD USE MORAL SUASION TO AVOID THIS FROM BECOMING AN EASY ESCAPE FROM AGREEMENT TO RESPECT THE QUOTAS BUT THE FACT THAT IT EXISTS HELPED CALM THE FEARS OF SOME COMMUNITY PRODUCERS. KUTSCHER'S DEPARTMENT WILL PREPARE A WRITTEN REPORT FOR THE COMMISSION AT THE END OF FEBRUARY ON THE RESULTS OF THE PLAN'S TRIAL PERIOD.

3. KUTSCHER SAID THAT WHILE COMPLETE STATISTICS WERE NOT AVAILABLE BEYOND THIRD QUARTER 1976, THE EC STEEL MARKET WAS NOT IMPROVING AND WAS NOT LIKELY TO DO SO BEFORE MID-YEAR. KUTSCHER SAID THAT IF THINGS DO NOT IMPROVE SOON, IT WOULD NOT SURPRISE HIM IF THERE WAS BANKRUPTCIES BY MID-YEAR AND NATIONALIZATIONS BEFORE YEAR END IN THE MOST STRICKEN AREAS. THE COMMISSION HAS MADE AVAILABLE DATA ON DECEMBER ORDERS FOR THE ORIGINAL SIX ECSC MEMBER COUNTRIES. THERE HAS BEEN SOME INCREASE IN NEW ORDERS DURING DECEMBER BUT THIS CAN BE LARGELY ATTRIBUTED TO RESTOCKING AFTER THE LARGE DRAW DOWNS OF INVENTORY DURING THE AUTUMN. THE INCREASE IN ORDERS APPEARS TO BE IN ABOUT THE SAME PROPORTION FOR EC DELIVERIES AND EXPORT ORDERS.

4. IMPORT PRICES CONTINUE TO FORCE EC MANUFACTURERS TO ALIGN PRICES AT LEVELS 40 PERCENT BELOW LIST. KUTSCHER SAID HE WAS HOPEFUL, HOWEVER, THAT A PRICE ARRANGMENT WOULD BE AGREED ON SOON BETWEEN THE EC AND SPAIN WHICH HAS BEEN DUMPING ON THE EC MARKET. THIS ARRANGMENET WOULD BE SIMILAR TO THOSE IN FORCE WITH EFTA COUNTRIES LIMITED OFFICIAL USE

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WHEREBY EC TRADING PARTNERS ARE RESTRAINED FROM BECOME PRICE LEADERS IN THE EC MARKET.

5. ON THE WORLD MARKET, KUTSCHER FORESAW A CONTINUING SURPLUS OF PRODUCTION OVER DEMAND FOR AT LEAST A FIVE-YEAR PERIOD. THIS COULD BE AGGRAVATED BY A STEPPED-UP PRODUCTION PROGRAM IN CERTAIN LDCS. EXPRESSING A VIEW THAT HAS RECENTLY BEEN VOICED BY OTHER WORKING LEVEL COMMISSION OFFICIALS, HE SAID THAT THE SOLUTION TO THIS PROBLEM SHOULD BE FOUND IN AN INTERNATIONAL GOOD CONDUCT CODE WHICH WOULD RESTRAIN ADHERENTS FROM EXPORTING THEIR OVERCAPACITY. HINTON

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